

Senate Assessment and Taxation Committee,

I am writing this to ask you to approve SB54 as this would ensure a more equal and fair taxation of vaping consumables. I own 2 vape shops in Southeast Kansas. I opened the first one in 2013 and the second in 2014. I started these businesses because after 20 years of smoking this was the only way I could find to quit smoking. When I tried my first vape I cut my 2 pack a day habit in half the first day, and smoked my last cigarette 2 weeks later. I didn't start vaping to quit smoking though. I started so that I could "smoke while at work". Over the last 3+ years, I have helped hundreds if not thousands of people quit or reduce their smoking through my shops.

My stores sell pre-made premium bottles of juice as well as house juice that we make ourselves. The definition of consumables proposed by the department of revenue, would increase the price of the juice we sell significantly. As I understand the way it is to be taxed it could also cause a double taxation for the juice that we make ourselves. We would be required to pay the .20 per ml on the nicotine we purchase, then would also have to pay the tax on the juice that is created from the concentrated nicotine that we have already paid the tax on. Then since this is a wholesale tax not a retail tax paid at the time of final purchase, the price would be increased and the customer would be paying sales tax on the increased price that is in effect to cover the cost of the consumable tax. I may be wrong on this as the tax notice and deeming regulations provided by the Department of revenue are a little confusing, as it describes our shops as a retail dealer in the distributor definition and then describes us as a distributor in taxation section.

As I understand it when I order a gallon of 100mg nicotine that costs about \$160 I would have to pay \$757 tax on the nicotine the following month. We then take that nicotine and add it to Vegetable glycerin and make bottles of juice. For ease of calculation, let's say that we make all of the juice in 1 size of bottle and it is a 100-ml. bottle and that all of them are at 3mg of nicotine. This would mean we would add 3ml of nicotine to that 100-ml. bottle and then it would be taxable too as it is made for sale. That gallon of nicotine will now make 1261 bottles each with 100 ml which is \$20 apiece in tax for a total of \$25,220 in tax. If the bottles are made at 6mg of nicotine, the tax would be half that or a quarter if it was 12mg nicotine. The accounting of this would be extremely difficult, and a customer purchasing a 100ml bottle of juice would not want to pay an extra \$20 plus the nearly 10% sales tax on top of that.

If SB54 is adopted, it would keep the tax appropriate by the amount of nicotine in the bottles, and for our house made juice, we would be able to pay the tax on the nicotine when purchased and it would be covered for the rest of the bottles made. If the tax is on each bottle no matter what the nicotine level, it would cause a nearly 50% increase in price, which would push customers away from vaping, possibly going back to smoking tobacco, or they would get their consumables from other sources such as the internet, making their own, or in our case they can drive less than 30 min into Missouri and purchase there. Many have already started doing this to prevent getting used to a certain flavor and it may not be available or only at a higher price.

We have been watching to see how this tax was going to be implemented but we still don't know for sure how it is supposed to work or how it will affect our stores. If the tax is paid on the amount of juice not the amount of nicotine in the juice, we will most likely have to switch to no nicotine as that is the only way that our customers would be willing to pay the price. This could cause issues as customers will

purchase concentrated nicotine online and try to add it themselves. This could be dangerous. We have considered selling the nicotine separate from the rest as an additive to the juice, but we worry that the concentrated nicotine could be hazardous. We have limited the of nicotine concentration in our juice since we opened to keep it as safe as possible. I believe that most shops do this. I also fear that if we do switch to no nicotine, we will still lose business and must close the shops.

One final issue is that the higher price of the juice because of the tax on the amount of juice not the nicotine level, will cause a black market that cannot be controlled. As shop owners, we are required to be licensed as a tobacco dealer. Unfortunately, there are people that are making and selling juice and other items without being licensed. I have seen at least 3 businesses started in our area selling on Facebook or craigslist that do not have licenses. These will be the next set of vapor retailers if this bill doesn't get approved and keep the tax to a minimum.

In conclusion, I ask that you approve the SB54 definition and only tax the amount of nicotine in the juice not the full volume of the juice. This is the only way that myself and others can remain competitive and stay in business.

Sincerely,

Rob Lee

Go Vapor LLC

Pittsburg & Fort Scott, KS